



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: January 27, 2004 REPORT NO. 04-019

ATTENTION: Honorable Mayor and City Council
Docket of February 3, 2004

SUBJECT: Status Report on Implementation of the Inclusionary Housing Ordinance
and the Affordable/In-Fill Housing and Sustainable Buildings Expedite
Program

REFERENCE: Land Development Code Section 142.1300: The Inclusionary Housing Ordinance;
Council Policy 600-27: The Affordable/In-fill Housing and Sustainable
Buildings Expedite Program; Council Policy 900-14: The Sustainable
Buildings Expedite Program.

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF
THE CITY COUNCIL.

BACKGROUND

On August 6, 2002 ("Housing Day"), the City Council declared a housing state of emergency within the City of San Diego, and directed the City Manager to pursue a variety of programs focusing on alleviating the affordable housing crises. On May 20, 2003, the City Council adopted both the Inclusionary Housing Ordinance, and the Affordable/In-Fill Housing and Sustainable Buildings Expedite Program (Expedite Program). The Inclusionary Housing Ordinance went into effect City-wide on July 3, 2003, and the Expedite Program became effective on August 4, 2003.

DISCUSSION

Inclusionary Housing Ordinance:

The Inclusionary Housing Ordinance has been in effect City-wide for 7 months, and requires all new residential development projects to either provide affordable housing units, or to pay a fee in-lieu of providing the units. The ordinance also exempts certain types of residential

development from these requirements. Provided below is a brief summary of the Inclusionary Housing Ordinance (also see Attachment 1 for a more detailed summary):

- All residential development projects of two or more units must set aside 10% of those units for households with an income at or below 65% area median income (AMI) for rental units, or at or below 100% AMI for for-sale units. These units can be provided either on-site, or off-site; or
- Developers may pay a fee in-lieu of providing affordable housing units. The in-lieu fee is currently \$0.50 per square-foot for projects of less than 10 units, and \$1.00 per square-foot for projects of 10 units or more. On July 3, 2004, the fee increases to \$0.875 per square-foot for projects of less than 10 units, and \$1.75 per square-foot for projects of 10 units or more. Developers are required to pay the in-lieu fees at the time building permits are issued.
- The Inclusionary Housing Ordinance currently exempts the following types of residential development: Projects with a Vesting Tentative Map, Development Agreement, or building permit application deemed complete prior to July 3, 2003; Projects within the North City Future Urbanizing Area; Projects that have received a Variance or Waiver from the Inclusionary Housing Ordinance; Residential units for households with an income at or below 150% AMI; Condominium Conversions.

The following table includes statistics related to the Inclusionary Housing Ordinance for the past seven months, July-2003 through February-2004:

INCLUSIONARY HOUSING ORDINANCE STATISTICS
July 2003 – February 2004

SUBJECT	NUMBER OF PROJECTS	PERCENTAGE OF PROJECTS	TOTAL UNITS
Total number of projects submitted	130	100%	3,820
Total number of projects exempted	44	34%	988
Projects required to meet Ordinance	85	66%	2,832
Projects electing to pay In-Lieu Fees	75	88%	1,185
Projects constructing affordable units	11	12%	588 Affordable Units
In-Lieu Fees Anticipated to-date	\$1,244,494	In-Lieu Fees Collected to-date	\$60,057.50

The Inclusionary Housing Ordinance has been in effect now for seven months, and to-date nearly 600 affordable housing units have been proposed for construction, and over \$1.2 million in affordable housing in-lieu fees will be collected at building permit issuance. It is interesting to note that a considerable number (34 percent) of projects have qualified for an exemption from the Inclusionary Housing Ordinance. Approximately 41 percent of these exempted projects were vested through approved Vesting Tentative Maps, 38 percent are within the North City Future Urbanizing Area, and 21 percent are vested through previously approved Development Agreements.

It is anticipated that exemptions will decrease over time as these previously vested projects (deemed complete prior to July 3, 2002) build out, and new projects are submitted. As a consequence, if the current residential market remains static, the next six-month period should see a higher rate of affordable housing unit construction and/or an increase in the generation of in-lieu fees.

Affordable/In-Fill Housing and Sustainable Buildings Expedite Program:

The Expedite Program has been in effect City-wide for 6 months. This Expedite Program provides a streamlined permitting process both for affordable housing projects, and for land development projects that provide a specified percentage of their projected total energy use utilizing renewable energy resources such as solar power, wind power, etc. (See Attachment 2 for a more detailed summary of the Expedite Program). The following table includes statistics related to the Expedite Program for discretionary projects for the past six months:

EXPEDITE PROGRAM STATISTICS – DISCRETIONARY PROJECTS
August 2003 – February 2004

SUBJECT	# OF PROJECTS	PERCENTAGE OF PROJECTS	TOTAL UNITS
Total number of Affordable/Sustainable projects submitted	14	100%	1,536 units
Total number of Affordable/Sustainable projects choosing the Expedite Program	12	86%	578 units
Total number of <u>affordable</u> projects in the Expedite Program	4	33%	527 total units. 115 affordable units
Total number of <u>sustainable</u> projects in the Expedite Program	8	67%	51 units. Producing 50 Kilowatts/Day

The Expedite Program received its first application in August of 2003, and so far 86 percent of all projects eligible for the program have elected to participate, notwithstanding the required Expedite Program fee (\$500 per unit). So far all projects within the program have enjoyed a significantly more streamlined project timeline, as well as a specialized team of staff focusing on being more customer-service oriented, flexible, responsive, proactive, and fiscally responsible. As designed, the staff expertise offered and time savings produced through the Expedite Program will translate into direct financial savings for affordable/sustainable building developers through decreased staff charges, as well as reduced holding costs and interest payments.

Currently all projects within the program are in the early stages of processing, and no projects have been processed through to a final decision yet. It is anticipated that within the next 3-6 months several projects will have been expedited through the entire review and decision process, and those results will be available for Council review and consideration at that time.

CONCLUSION

The Inclusionary Housing Ordinance and the Expedite Program are just two important component parts of a comprehensive package designed to address affordable housing issues in San Diego. Numerous other programs, policies, and efforts are currently underway (i.e., The Affordable Housing Collaborative NOFA; various Housing Commission and Redevelopment Agency assistance programs; Affordable Housing Task Force recommendations; Future Urbanizing Area affordable housing requirements, etc.) to assist and encourage the development of affordable housing in San Diego.

Respectfully submitted,

Tina P. Christiansen, A.I.A.
Development Services Director

Approved: P. Lamont Ewell
Assistant City Manager

CHRISTIANSEN/MJW:

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
1. Information Bulletin 532: Summary of the Inclusionary Housing Ordinance.
 2. Information Bulletin 538: Summary of the Affordable/In-Fill Housing and Sustainable Buildings Expedite Program.